



March 22, 2012

The Honorable Todd Rokita
U.S. House of Representatives
Washington, DC 20515

Dear Rep. Rokita:

The Commonwealth Foundation for Public Policy Alternatives strongly supports the State Health Flexibility Act, HR 4160. We urge the Pennsylvania congressional delegation to endorse this bill, which will improve services for the poor without increasing the burden on taxpayers.

With the passage of the stimulus package and health care reform, federal Medicaid mandates have become especially burdensome to states in the past three years. The status quo relegates states to a largely administrative role with little discretion over funding or eligibility rules, ignoring each state's knowledge of its own local needs.

The State Health Flexibility Act converts federal Medicaid and SCHIP funding into a block grant, accompanied by real flexibility that allows states to design and implement a health care program that fits the unique needs of their citizens. This would prevent the looming budget crisis in Pennsylvania and improve healthcare access for our neediest citizens.

Our recent report on welfare reform in Pennsylvania discusses how Medicaid spending is slowly crowding out every other budget item in Pennsylvania. For the first time ever, the commonwealth is spending more on welfare programs like Medicaid, than education. Medical Assistance spending has consistently grown faster than taxpayers' ability to pay. Medicaid now accounts for 31% of our \$64 billion operating budget. And under the Affordable Health Care Act, costs will continue to skyrocket as Medicaid enrollment is estimated to increase 17.6% by 2014. This is simply unsustainable, but without flexibility from Washington, Pennsylvania's hands are tied.

Medicaid delivers episodic treatment, provides poor preventative care, offers sub-standard services to many beneficiaries and at times even harms the poor. These shortcomings are caused in a large part by the federal government's rigid one-size-fits-all rules and regulations. Medicaid is also harming those with private insurance by shifting costs. Cost shifting from Medicaid and Medicare adds an estimated 10.6% to the average family of four's insurance premium. HR 4160 is critical to improving both state's fiscal condition and the quality of healthcare for the nation's most vulnerable individuals.

In exchange for flexibility, states will receive a lump sum payment based on 2012 Medicaid and SCHIP spending. This encourages states to manage their costs more effectively. Over the next ten years, this bill is expected to save taxpayers an

estimated \$1.8 trillion, without cutting current Medicaid and SCHIP funding by a single penny. For these reasons, the Commonwealth Foundation is excited to support the State Health Flexibility Act.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mary Bronte". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

CC: Pennsylvania Congressional Delegation

CC: House Republican Study Committee

Enclosed: Ending the Cycle: Reforming Welfare in Pennsylvania